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22
23 UNITED STATES DISTRICT COURT
24
25 NORTHERN DISTRICT OF CALIFORNIA

26 Aylus Networks, Inc., a Delaware corporation,
27 Plaintiff,
28 vs.
29 Apple, Inc., a California corporation
30 Defendant.

31 CASE NO. 3:13-cv-4700

32 **AYLUS NETWORKS, INC.'S
33 OPPOSITION TO APPLE'S MOTION
34 TO STAY**

35 ORAL ARGUMENT REQUESTED

1 **I. INTRODUCTION**

2 Apple took its best shot at invalidating the patent-in-suit at the PTAB and it did not
3 succeed. Apple picked its strongest prior art references and filed two petitions for inter partes
4 review—one of which was denied in its entirety, while the other was only granted in part.
5 Apple's latest motion to stay asserts that its *partial* victory before the PTAB warrants staying the
6 *entire* litigation.

7 Apple's motion to stay is entirely unsupported by the law. While Apple makes much of
8 the PTAB's decision to institute IPR on a number of the asserted claims, the heart of Aylus's
9 infringement case—claims 2 and 21, which read directly onto the accused products—remains
10 intact, and ready for trial. In fact, Aylus is so confident in the merits of its infringement theories
11 as to claims 2 and 21 that it offered to dismiss those claims that are subject to IPR if Apple
12 withdrew its motion, but Apple refused.¹ Thus, while Apple pays lip service to judicial economy,
13 Aylus is the only party offering the Court a truly streamlined and simplified case: if the stay is
14 denied and Aylus proceeds with only claims 2 and 21, *none* of the claims asserted in this district
15 court would be subject to IPR, eliminating any risk of duplicative results, wasted resources, or
16 long and drawn-out final determinations of infringement and validity.

17 At this stage of the case where a claim construction order has already issued, fact discovery
18 is all but complete, trial is set to take place in just over nine months, Apple cannot muster anything
19 but the most superficial claims of prejudice if a stay is denied.

20 **II. BACKGROUND**

21 Aylus infringement claim under claims 2 and 21 is strong. The '412 patent covers three
22 distinct infringement scenarios:

23 **Scenario 1:** the iPhone interacts with the iTunes Store to negotiate delivery of video
24 content from a media server, if either the media server or the Apple TV are not in communication
25 with the iPhone via a local wireless network. *See, e.g.*, Ex. 1 Patent No. RE44,412 at Claim 1.

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¹ Despite Apple's refusal to accept Aylus's proposal, Aylus remains willing to dismiss all but claims 2 and 21 if a stay is denied.

1 **Scenario 2:** the iPhone negotiates video content delivery between the media server and the
2 Apple TV, if the media server and the Apple TV are both in communication with the iPhone via a
3 local wireless network. *See, e.g., id.* at Claims 2 and 21.

4 **Scenario 3:** the iTunes Store negotiates media content delivery between the media server
5 and the Apple TV if neither the media server nor the Apple TV are in communication with the
6 iPhone via a local wireless network. *See, e.g., id.* at Claims 4 and 23.

7 The instituted IPR covers Scenario 1, but expressly excludes Scenarios 2 and 3. Aylus'
8 infringement theory based on Scenario 2—which is not subject to IPR—is clean and strong: the
9 software (control point proxy) on the Apple iPhone (the UE) negotiates the delivery of video
10 content with the media server (MS) (typically an Akamai server) and the Apple TV (the MR)—
11 and both the media server and the Apple TV are both in communication with the iPhone via Wi-Fi
12 (a local wireless network).

13 **III. LEGAL STANDARD**

14 “Courts have inherent power to manage their dockets and stay proceedings, including the
15 authority to order a stay pending conclusion of a PTO reexamination.” *Ethicon, Inc. v. Quigg*, 849
16 F.2d 1422, 1426-27 (Fed. Cir. 1988) (citations omitted). But a “court is under no obligation to
17 delay its own proceedings” because an IPR has been granted. *See Robert Bosch Healthcare*
18 *Systems, Inc. v. Cardiocom, LLC*, C-14-1575 EMC, 2014 WL 3107447 at *2 (N.D. Cal. Jul. 3,
19 2014). In determining whether to stay the litigation, courts consider three factors: “(1) whether a
20 stay would unduly prejudice the non-moving party; (2) whether a stay would simplify the issues;
21 and (3) whether discovery is complete and a trial date set.” *Telemac Corp. v. Teledigital, Inc.*,
22 450 F. Supp. 2d 1107, 1110-11 (N.D. Cal. 2006). Apple must show that exceptional
23 circumstances justify a stay. *See Nken v. Holder*, 556 U.S. 418, 433-34 (2009); *Evolutionary*
24 *Intelligence, LLC v. Millenial Media, Inc.*, Case No. 13-CV-04206-EJD, 2014 U.S. Dist. LEXIS
25 81090, at *8 (N.D. Cal. June 11, 2014); *see also Comcast Cable Comm’ns Corp., LLC v. Finisar*
26 *Corp.*, No. C 06-04206 WHA, 2007 WL 1052883, at *1 (N.D. Cal. Apr 5, 2007) (“If litigation

were stayed every time a claim in suit undergoes reexamination, federal infringement actions would be dogged by fits and starts. Federal court calendars should not be hijacked in this manner.”).

IV. ARGUMENT

A. This Case Is In Its Advanced Stages

This factor looks at the extent to which “discovery is complete and whether a trial date has been set.” *Robert Bosch*, 2014 WL 3107447 at *3 (citation omitted). While a case “in [its] relatively nascent stages” is eligible to be stayed pending IPR, *see FreseniusMed. v. Baxter Int'l, Inc.*, No. C 03-1431, 2007 WL 1655625, at *3 (N.D. Cal. June 7, 2007), courts deny motions to stay even if “there is much more work ahead of the parties,” including completion of fact and expert discovery, the filing of dispositive motions and trial. *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. C 12-05501 SI, 2014 WL 121640, at *2 (N.D. Cal. Jan. 13, 2014); *Asetek Holdings, Inc v. Cooler Master Co.*, No. 13-CV-00457-JST, 2014 WL 1350813, at *4 (N.D. Cal. Apr. 3, 2014) (ruling that both the first and second factors weighed against a stay “because much, if any of the effort that could have been saved has already been expended: claim construction is complete, fact discovery is nearly complete, and only expert discovery, dispositive motions, and trial remain.”)

In denying Apple's first motion to stay in November of last year—seven months ago—the Court found this factor to be "essentially neutral," stating that

While no trial date is set and no dispositive motions have been scheduled, the parties have conducted considerable discovery and have briefed the claim construction. Moreover, the case has been pending since October 2013. Thus, while the case is not in its infancy, it is not in its adolescence either.”

Dkt. No. 90 at 2. In the intervening seven months, this case has matured into adulthood. The parties have not only expended the time and effort to complete *Markman* briefing, the Court has issued a claim construction order—and both parties have served amended contentions based on the Court's constructions. Just four weeks remain in fact discovery—both parties have served all written discovery requests and responded to all but a handful of them; both parties have

1 substantially completed document production; source code review is well underway; and
2 depositions have begun in earnest. If the first factor was neutral in November 2014, it can only
3 weigh strongly against a stay in May 2015.

4 Apple's cited authority (Mot. 7-8) does not support a stay. To the contrary, the court in
5 *Verinata Health, Inc.* ruled that the first factor weighed "against staying the action" in a
6 procedural posture identical to this case—where "a trial date has been set" the Court has
7 construed the disputed terms of the patents-in-suit, and discovery is well underway with the parties
8 having exchanged initial disclosures, infringement and invalidity contentions, substantial
9 document production, and conducted multiple depositions." 2015 WL 435457, at *2 (emphasis
10 added). The other two cases cited by Apple addressed dramatically different procedural postures
11 and are therefore inapposite. See *Appliance, Inc. v. Sun Microsystems Inc.*, No. C-07-06053 EDL,
12 2010 WL 545855, at *2 (N.D. Cal. Feb. 11, 2010) (the PTAB had already issued a final rejection
13 of all asserted claims and the parties were only awaiting the outcome on appeal); *PersonalWeb*
14 *Technologies, LLC v. Facebook, Inc.*, No. 5:13-CV-01356-EJD, 2014 WL 116340, at *4 (N.D. Cal.
15 Jan. 13, 2014) (citing the "novel circumstances" and "particular procedural complexities presented
16 in this case," finding that the first factor "weighs slightly in favor of a stay" that was potentially
17 dispositive as to two defendants as well as 7 of the 8 patents asserted against the other two
18 defendants).

19 **B. A Stay Will Not Simplify The Issues In This Case**

20 Although the eventual outcome of the IPR proceedings is uncertain, one thing is clear—the
21 IPR will not affect either claim 2 or 21, the claims Aylus proposes to assert at trial in this case if
22 the stay is denied. Courts routinely deny motions to stay where not all of the asserted claims are
23 subject to IPR. See, e.g., *Xilinx, Inc. v. Invention Inv. Fund I LP*, No. 11-cv-00671-EJD, 2012
24 WL 6003311, at *4 (N.D. Cal. Nov. 30, 2012);); *Asetek Holdings, Inc v. Cooler Master Co.,*
25 *Ltd.*, 2014 WL 1350813, 3 (N.D.Cal. 2014) (where the litigation presents issues not before the
26 PTO, a stay is less appropriate); *Procter & Gamble Co. v. Team Tech., Inc.*, No. 1:12-CV-552,
27 2014 WL 533494, at *4 (S.D. Ohio Feb. 11, 2014) ("[I]n addition to the 11 claims that Plaintiff
28 has asserted in this case that are also at issue in the IPRs, the remaining 16 asserted claims are *not*

1 at issue in any IPR. Thus, even if the PTO were to cancel every claim at issue in the IPRs,
2 Plaintiff's suit to stop Defendants from allegedly infringing these additional 16 claims would be
3 unaffected."); *Stryker Corp. v. Monster Media, Inc.*, No. 1:09-CV-1142, 2010 WL 2026692, at *2
4 (W.D. Mich. May 20, 2010) (denying a stay where PTO had issued initial office action rejecting
5 11 asserted claims while confirming 4 asserted claims); *Wonderland Nurserygoods Co. v. Thorley
6 Indus., LLC*, 858 F. Supp. 2d 461, 464-65 (W.D. Pa. 2012) (denying a stay where "there are likely
7 two claims—or, at least one . . . that are at issue here that are not subject to the reexamination.");
8 *Invensys Sys., Inc. v. Emerson Elec. Co.*, No. 6:12-CV-00799, 2014 WL 4477393, at *3 (E.D. Tex.
9 July 25, 2014) ("while the PTAB granted review of thirty-one claims spread across the four
10 patents, the PTAB denied review of three claims of the '136 patent. These three claims will be
11 litigated in this case."); *cf. Dane Tech., Inc. v. Gatekeeper Sys., Inc.*, No. 12-2730, 2013 WL
12 4483355, at *2 (D. Minn. Aug. 20, 2013) (denying stay defendant did not petition for review of all
13 asserted patents). This principle applies with considerably greater force in this case, as Aylus's
14 offer to dismiss claims all claims that are now subject to an IPR guarantees that none of the claims
15 remaining at issue in this case will be subject to an IPR.

16 The cases cited by Apple (Mot. 9) are easily distinguishable, as each case addressed a
17 partial institution decision handed down at the very beginning of a case, at a time when a stay
18 potentially eliminated the need for any fact discovery or claim construction. *See Robert Bosch*,
19 2014 WL 3107447, at *4 (discovery had "barely begun," and no dates set for an initial case
20 management conference, claim construction or trial); *Pragmatus Telecom, LLC v. NETGEAR,
Inc.*, No. C 12-6198 SBA, 2013 WL 2051636, at *2 (N.D. Cal. May 14, 2013) (case was "in its
22 embryonic stage"); *Evolutionary Intelligence, LLC v. Livingsocial, Inc.*, No. 13-CV-04205-WHO,
23 2014 WL 2735185, at *2 (N.D. Cal. June 16, 2014) (refusing to lift stay in view of partial
24 institution where "[o]nly limited discovery has occurred . . . [n]o pretrial dates ha[d] been
25 scheduled and no claim construction or other substantive briefs have been filed or scheduled.").
26 This case is in a very different posture—claim construction is complete, fact discovery is at its
27 terminus, and Aylus has agreed to dismiss those claims impacted by the IPR.

28

1 Importantly, one of the primary ways in which IPR typically streamlines a litigation—by
2 estopping accused infringers from prior art references or combinations that were raised or that
3 reasonably could have been raised in during the IPR proceedings—will not apply to the reduced
4 form of this case. Under 35 U.S.C. 315(e)(2), estoppel applies on a claim-by-claim basis, barring
5 the petitioner from asserting in the district court "that **the claim** is invalid on any ground that the
6 petitioner raised or reasonably could have raised during that *inter partes* review." (emphasis
7 added). Because claims 2 and 21 are not subject to an IPR, there will be no estoppel effect as to
8 those claims, leaving Apple free to rehash invalidity arguments that the PTAB rejected with
9 respect to those claims for which reexamination was instituted. *Cf. Cooper Technologies Co. v.*
10 *Thomas & Betts Corp.*, No. 2:06-CV-242, 2008 WL 906315, at *2 (E.D. Tex. Mar. 31, 2008)
11 (denying stay where one patent was subject to IPR while a second, related patent was only subject
12 to ex parte review because there would be no estoppel as to the patent in ex parte review);
13 *Widevine Techs., Inc. v. Verimatrix, Inc.*, No. 2:07-CV-321-TJW-CE, 2008 WL 4426484, at *2
14 (E.D. Tex. Sept. 25, 2008) (similar).

15 Apple will likely argue that the PTAB's decision as to independent claims 1 and 20 will
16 shed light on the validity of claims 2 and 21, which depend from claims 1 and 20. As court's have
17 recognized, however, dependent claims are still presumed valid in the district court even if the
18 PTAB has invalidated – let alone granted an IPR on - the independent claim. *See, e.g.,*
19 *Wonderland Nurserygoods*, 858 F. Supp. 2d at 464-65 (W.D. Pa. 2012) (citing 35 U.S.C. § 282
20 and denying a stay where "there are likely two claims—or, at least one . . . that are at issue here
21 that are not subject to the reexamination."). Furthermore, the differing standards for claim
22 construction applied by district courts and the PTAB seriously undermines whatever insight the
23 IPR proceedings might indirectly provide on the scope of claims 2 and 21. *Invensys Systems*,
24 2014 WL 4477393 at *3 ("[W]hile the added prosecution history may prove useful to this Court
25 in the event that claims are amended, the different standards of claim construction between the
26 PTAB and this Court may discount that value.").²

27

28 ² Indeed, Apple's IPR petitions included the following disclaimer, which emphasized the
distinction between the competing standards:

1 Put simply, there will be no simplification of this case as a result of the stay, and there is
2 no good legal basis to justify Apple's request to let this case sit without any progress on the Court's
3 docket for as many as three years. Accordingly, this factor weighs against granting a stay.

4 **C. A Stay Will Unduly Prejudice Aylus**

5 The Court has previously recognized that Aylus would prejudice Aylus. In denying to
6 stay the litigation last November, the Court noted that "[o]n the one hand, Aylus might be spared a
7 great deal of expense and effort if PTAB's review *resolved this dispute*," but agreed with Aylus
8 that "staying these proceedings will cause *further expense and delay*, and *will prejudice them*
9 regardless of whether the petition is granted or denied." Dkt. No. 90 at 2 (emphasis added). As
10 explained above, the PTAB's review necessarily will not "resolve this dispute," because claims 2
11 and 21 will remain regardless of the outcome of the IPR. More importantly, the prejudice to
12 Aylus from staying the case has now multiplied many times over. Aylus would suffer substantial
13 prejudice if all the work it has put into the case thus far—reviewing over 1 million pages of
14 documents and emails (plus several thousand pages' worth of source code), settlement efforts,
15 taking and defending depositions, retaining and disclosing expert witnesses—was suddenly put on
16 ice for years (and much longer if Apple decides it is unhappy with the result of the IPR and
17 appeals the decision). Indeed, a stay under these circumstances would all but guarantee that fact
18 discovery will need to be reopened, written discovery responses will need to be supplemented,
19 financial information will need to be updated, new versions of the accused products will be

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21 "Because the [broadest reasonable interpretation] standard is different from that
22 used in district court litigation, *see In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d
23 1359, 1364, 1369 (Fed. Cir. 2004), the interpretation of the claims presented
24 either implicitly or explicitly herein should not be viewed as constituting
Petitioner's own interpretation and/or construction of such claims for the purposes
of the underlying litigation. Instead, such constructions in this proceeding should
be viewed only as constituting an interpretation of the claims under the "broadest
reasonable construction" standard and/or under the Patent Owner's infringement
allegations in the underlying litigation. Indeed, Petitioner has presented in the
underlying litigation a different interpretation of one or more of the '412 patent
claim terms."

28 Dkt. No. 61-2, Apple IPR Petition at 15-16.

1 released, and employee witnesses may no longer be under the control of the parties (or possibly
2 even within the Court's subpoena power).

3 Apple can make no case of hardship or inequity about being required to go forward on
4 claims that are not subject to IPR—but Aylus faces real prejudice as this case is approaching the
5 two-year mark, fact discovery is essentially over, and the parties have expended enormous
6 resources in developing and proving up their theories. Indeed, the PTAB has 12 months to issue a
7 final written decision on the IPR. 35 U.S.C. § 316(a)(11) (2012). This time may be extended up to
8 an additional six months. *Id.* This scenario would have the IPR conclude three years after the
9 complaint was filed in October of 2016. And, furthermore, either party can appeal the decision of
10 the PTAB to the Federal Circuit. 35 U.S.C. § 319 (2012); 35 U.S.C. § 141(c) (2012). The Federal
11 Circuit can, moreover, remand back to the PTAB, if, for example, it disagrees with the PTAB’s
12 claim construction, still further delaying the vindication of Aylus’s rights. *See Ultratec, Inc. v.*
13 *Sorenson Commc’ns, Inc.*, No. 13-cv-346-bbc, 2013 WL 6044407, at *1 (W.D. Wisc. Nov. 14,
14 2013) (“Altogether, the *inter partes* review procedure may take two years and appeal to the
15 Federal Circuit could extend the timeline further.”). A stay in any of these scenarios would
16 severely prejudice Aylus when the claims at issue in this litigation *will not* be at issue in any of
17 PTAB or potential Federal Circuit proceedings.

CONCLUSION

20 Aylus respectfully requests that the Court deny Apple's motion to stay and allow Aylus to proceed with this case solely on claims 2 and 21.

1 DATED: May 7, 2015

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7 By /s/ Amar L Thakur
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I hereby certify that I caused a true and correct copy of the foregoing to be served by electronic mail upon the following:

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18 I declare under penalty of perjury that the foregoing is true and correct. Executed on May
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